GLOBEX RESOURCES LTD.

1998 Annual Report

CONTENTS

CORPORATE PROFILE – Globex Resources Ltd. is a Calgary-based, junior energy company engaged in the exploration, development and production of oil and natural gas in Western Canada. The Company plans to continue increasing its reserves and production base in Canada through exploration and development drilling and strategic acquisitions. For medium-term growth, Globex is pursuing international development opportunities, specifically in the Indian sub-continent.

The common shares of Globex trade on The Alberta Stock Exchange under the symbol "GBX". As at April 30, 1999, the Company had 9.1 million common shares issued and outstanding.

ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders of Globex Resources Ltd. will be held at 3:00 p.m. on June 24, 1999 at The 400 Club located at 710 - 4th Avenue S.W., Calgary. All shareholders are encouraged to attend. Those unable to do so, are asked to sign and return the proxy form mailed with this Report.

ABBREVIATIONS

mcf	thousand cubic feet
mbbls	thousands of barrels
mmcf	millions of cubic feet
bbl	barrel
Bcf	billions of cubic feet
NGL	natural gas liquids
boe	barrels of oil equivalent (10 mcf = 1 bbl)

corporate accomplishments

- Graduated to the status of a fully listed company on The Alberta Stock Exchange in October, 1998;
- Completed $3.0 million in two equity financings and established $1.5 million in bank line of credit;
- Established proven and one-half probable reserves of over 1.7 million boe with 12.5 bcf of natural gas, 408 mbbls of oil and 57 mbbls of natural gas liquids;
- Increased production to 450 boe/d at year-end split almost equally between crude oil and natural gas;
- Acquired 20,595 net acres of undeveloped land, primarily in Alberta;
- Expended $3.7 million since commencement of operations for the acquisition and development of oil and gas reserves and undeveloped land;
- Achieved an acquisition and development cost (including future development expenditures) of under $4.00 per boe;
- Established a net asset value of $7.0 million, or $0.77 per share based on 1998 year-end proven and one-half probable reserves;
- Assembled an experienced team of personnel with extensive management, technical and financial expertise.

message to shareholders

We are proud of our accomplishments over the past year – having exceeded the objectives set out for the first full year for Globex. 1998 was a year of setting direction, laying the groundwork, and building a solid foundation for a successful junior oil and gas company with a balanced production and asset base.

Objectives for 1998 included:

- Listing on the Alberta Stock Exchange and completing requirements to acquire full public company status;
- Increasing oil and gas production to 300 boe/d to generate immediate cash flow to fund the Company's development activities;
- Pursuing international development projects in the Indian sub-continent.

Although 1998 was a particularly difficult year given the combination of prolonged lower oil prices and volatility in the equity markets, Globex continued its course of building a strong base of cash flow from its Western Canadian properties and pursuing international development opportunities for its medium to longer-term growth.

This past year has indeed been an important and shaping year for Globex. On May 12, 1998, Globex commenced trading on The Alberta Stock Exchange as a Junior Capital Pool Company. In September 1998, shareholders approved the Company's Major Transaction and upon completing the necessary listing requirements, Globex graduated to the status of a fully listed company with approximately $2.5 million in equity. In December 1998, a further $500,000 in equity was raised through the issuance of flow-through shares. Notwithstanding the added expense of higher start-up costs, Globex posted positive cash flow and earnings for its first year of operations.

During 1998, Management directed considerable effort towards evaluating and completing a series of oil and gas property acquisitions in Western Canada. As a result, the Company completed the year with production reaching 450 boe/d, split almost equally between crude oil and natural gas, and the remaining proven and one-half probable reserves at year-end have increased to over 1.7 million boe.

OUTLOOK

With all the initial acquisition activity completed, Globex moves into 1999 as a qualified, junior oil and gas company, concentrating on building core areas in Western Canada for the Company's future growth. Over the past few months, our technical team has focused its efforts on adding value to the acquired properties through rationalization, which may include the sale or swap of land interests and the exploitation of undeveloped acreage. Both earnings and cash flow are expected to increase substantially this year as a result of the production acquisitions completed in December, 1998. We estimate Globex's net asset value to be $0.77 per share.

We expect 1999 to be a year of continued momentum: having set the direction, Globex is now equipped to implement its production growth plans more fully, strengthened by the availability of financial resources from a combination of existing cash flow, unused bank line of credit and funds raised from the flow-through equity financing in late 1998.

Globex's objective over the next 12 - 18 months is to double its production level through strategic acquisitions and through drilling and exploitation programs.

On the international front, we will continue to pursue development opportunities in the Indian subcontinent, where Management has an added advantage in this region by way of having developed solid business relationships and valuable contacts. With energy growth in the range of 5% to 7% annually, Globex considers India to be an excellent market for future growth. Additionally, Globex has invested in a private company which participated in two gas discoveries in Pakistan. As a result of this relationship, Globex also has access to development opportunities in Pakistan.

We are particularly proud of the solid commitment demonstrated by our experienced staff who all have personal ownership stakes in the Company. The combination of our technical and financial team, our Board of Directors and shareholder support has resulted in a very successful year for Globex, albeit in an overall, difficult environment. To all of these people, we offer our appreciation for their dedication, enthusiasm and encouragement and thank them for supporting Globex's growth through this critical stage of building a successful company.

ON BEHALF OF THE BOARD OF DIRECTORS

Ashok Bhasin

Ash Bhasin
President and Chief Executive Officer

May 5, 1999

operations review

ACQUISITION

As a new company, Globex focused its initial efforts on production and reserve acquisitions. With this approach, the risk associated with adding value solely by drilling was mitigated and growth in shareholder value was ensured.

Since commencement of operations, the Company has spent $3.7 million to establish a proven reserve base of over 1.5 million boe and 450 boe/d of production. On a proven reserve basis, Globex's acquisition and development cost to date is under $4.00 per boe, after allowing for future development, abandonment and site restoration costs.

Net Asset Value

at December 31, 1998	Total Proved ($1000's)	Total Proved + Half Probable ($1000's)
Net Present Value of Reserves	7,412	7,920
Discounted @ 15% before tax		
Net Present Value of Abandonment and Site Restoration	(741)	(792)
Discounted @ 15%		
Undeveloped Land and Seismic		
20,595 Net Acres @ $20.00 per acre	412	412
Working Capital	178	178
Investment	100	100
Bank Debt	(806)	(806)
Net Asset Value	6,555	7,012
Per Share		
Basic	$ 0.72	$ 0.77
Fully Diluted	$ 0.69	$ 0.74

PRODUCTION

During its first full year of operation, Globex's objective was to increase its oil and gas production, at minimal risk to 300 boe/d to generate immediate cash flow for future development activities. The Company exceeded this objective by successfully acquiring oil and gas property interests in Western Canada which increased Globex's production to 450 boe/d by year-end.

	Oil & NGL bbls/d	Natural Gas mcf/d	Total boe/d
1997 Exit Production	51	40	55
1998 Exit Production	220	2,300	450

The Company's average production for last year was 62 boe/d, given that the majority of production was acquired in late December, 1998.

RESERVES

During 1998 Globex increased its proven reserves to over 1.5 million boe primarily through property acquisitions.

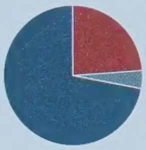
	Proven Reserves (Mboe)
Proven Reserves at December 31, 1997	168
Net Reserve Additions	1,399
Less: 1998 Production	(23)
Proven Reserves at December 31, 1998	1,544

The sales volumes and net present value of Globex's petroleum and natural gas reserves have been evaluated as at December 31, 1998 by independent engineering consultants, Paddock Lindstrom & Associates Ltd. The reserves presented in the following table represent Globex's share of sales volumes before royalty burdens, and net present values are before income taxes.

Reserves Summary

Reserves Category	Remaining Recoverable Reserves		Net Present Values (including ARTC) ($000)		
	Oil and NGL MSTB	Sales Gas MMCF	10%	15%	20%
Proved Producing	403.2	5,701.7	5,647.9	4,783.8	4,165.7
Proved Non-Producing	23.6	5,468.5	3,282.2	2,628.2	2,151.0
Total Proved	426.8	11,170.2	8,930.1	7,412.0	6,316.7
Probable	76.9	2,647.2	1,469.7	1,015.2	733.7
Total proved + Probable	503.7	13,817.4	10,399.8	8,427.2	7,050.4
50% Reduction on Probable	38.5	1,323.6	734.8	507.6	366.8
Total proved + Half Probable	465.3	12,493.8	9,665.0	7,919.6	6,683.6

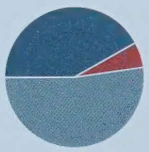
Total Proven Reserves



- oil 24%
- NGL 4%
- gas 72%

On a proven reserve basis, natural gas represents 72% of the Company's year-end reserves, while crude oil and natural gas liquids represent 24% and 4% of the total reserves, respectively. On a barrel of oil equivalent basis, 68% of the Company's year-end proven reserves are in Alberta, 16% in British Columbia, 15% in Saskatchewan and 1% in Manitoba.

Proven Crude Oil and NGL Reserves



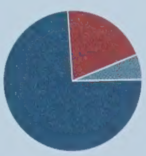
- Saskatchewan 42%
- B.C. & Manitoba 6%
- Alberta 52%

The associated pricing assumptions as determined by Paddock Lindstrom and Associates Ltd., Globex's independent engineers, are as follows:

Pricing Assumptions
as of January 1, 1999

	Oil WTI@Cushing ($US/bbl)	Gas AECO ($Cdn/mmbtu)	Exchange Rate (US/Cdn)
1999	15.00	2.34	0.66
2000	17.00	2.40	0.68
2001	19.00	2.45	0.70
2002	20.00	2.56	0.70
2003	20.50	2.70	0.70

Proven Natural Gas Reserves



- B.C. 20%
- Saskatchewan 6%
- Alberta 74%

UNDEVELOPED LANDS

Globex increased its undeveloped land holdings in 1998 to 20,595 net acres. The following table summarizes Globex's current undeveloped land interests in Western Canada.

	Gross Acres	Net Acres
Alberta	150,960	16,338
British Columbia	13,440	1,008
Saskatchewan	11,840	3,249
	176,240	20,595

management's discussion and analysis

Information outlined in this discussion and analysis is only for 1998 results (comparative 1997 results would have only reflected two months of activity). Results for 1999 will more appropriately reflect the Company's operating performance, factoring in the acquisitions completed in late December, 1998.

PRODUCTION REVIEW

Oil and natural gas revenue for the year ended December 31, 1998 totaled $392,280 from daily production of 62 boe/d. Crude oil and natural gas liquids (NGLs) prices averaged $17.22 per barrel for the year ended December 31, 1998. Globex received an average natural gas price of $1.74 for the year ended December 31, 1998.

Revenues are expected to increase significantly in 1999 reflecting a full year of production from the December 1998 acquisitions with a production mix of 60:40 between natural gas and oil and NGLs.

ROYALTY

Royalty expenses for the year ended December 31, 1998 totaled $33,917 (net of ARTC) or $1.50 per boe.

PRODUCTION EXPENSE

Production expense for the year ended December 31, 1998 was $230,904. On a boe basis, operating costs for the 1998 amounted to $10.20. For 1999, we expect production expense on a boe basis to decrease as a result of an extensive rationalization program currently underway for the newly acquired properties.

OPERATING NETBACKS

Operating netbacks reduced considerably to $5.55 per boe for 1998, as a result of the collapse in oil prices.

For 1999, Globex expects significant increases in netbacks attributable to (i) increased production levels, (ii) a production mix representing 60% natural gas, (iii) higher oil prices and, (iv) improved efficiencies resulting from rationalization of the recently acquired properties.

GENERAL AND ADMINISTRATIVE EXPENSES

Total general and administrative expenses in 1998 were $70,317 for the year. Expenses in 1998 were considerably higher related to start-up costs associated with Globex going public.

In 1999, general and administrative costs are expected to increase due to increased activity levels as a result of the recent acquisitions and increased business development activities. Management will monitor general and administrative expenses diligently, and expects to align them with industry averages.

DEPRECIATION, DEPLETION AND AMORTIZATION

Globex's depletion and depreciation rate for the year ended December 31, 1998 was $2.64 per boe, primarily reflecting an increase in proved reserves with the new acquisitions.

CAPITAL EXPENDITURES

Globex's net capital program totaled $2,513,000 in 1998, primarily for the acquisitions. A total of $35,000 of general and administrative expense was capitalized during the year ended December 31, 1998.

FINANCIAL RESOURCES AND LIQUIDITY

Globex funds its operations from three sources: equity, bank debt and internally generated cash flow.

During 1998, equity placements accounted for a net of $2,887,902 after issue costs. The equity placements include $500,000 of flow-through shares where the Company has renounced tax pools of equal value in favor of the subscribers. The Company plans to utilize these funds in 1999 for eligible drilling and completion expenditures.

At year-end, the Company had drawn $806,000 of its $1,500,000 credit facility to fund its acquisition program.

Cash flow for the year ended December 31, 1998 totaled $72,295. In 1998, cash flow per share was nil. In 1999, cash flow per share is expected to increase significantly reflecting a full year of production from the acquired properties and higher oil prices.

BUSINESS RISKS

As an oil and natural gas developer, the Company faces the same inherent risks as other oil and gas producers. Profitability of the Company depends on commodity prices and its ability to control its costs. While the Company has little control on commodity prices, it ensures that costs are controlled and netbacks are maximized. Globex's product mix insulates the Company to a certain extent from fluctuations in the price of any single commodity.

Ready availability of transportation and markets is another risk which must be considered in the exploration and development plans of the Company. The development of natural gas reserves requires longer lead times. As a result, the fundamentals can change over time creating risks that once on-stream, the economics of new production may differ from when the reserves were discovered.

SAFETY AND ENVIRONMENT ISSUES

Senior management of Globex supports and is responsible for implementing safety and environmental policies through the organization. As the Company increases its activities as an operator, the Company will add additional resources to address these issues to minimize risks.

YEAR 2000 COMPLIANCE

Globex does not believe that it has any material Year 2000 issues given that the majority of the hardware and software utilized by the Company is new, widely utilized and claimed to be Year 2000 compliant. Nevertheless, management engaged the services of an Information Technology specialist to review the use of hardware and software of its internal consultants. As a result, both hardware and software were upgraded as required to be Year 2000 compliant. Like other companies, the Company depends on its partners and transportation utilities to complete their compliance for Year 2000. In the event of complications, Globex believes any failure could be effectively eliminated in a short period of time through replacement or mutual intervention.

MANAGEMENT'S REPORT

The accompanying financial statements and all information in the Annual Report are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies described in the notes to the financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian Generally Accepted Accounting Principles, appropriate in the circumstances. The financial information contained elsewhere in the Annual Report has been reviewed to ensure consistency with that in the financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors, appointed by the Shareholders of the Company, have examined the financial statements and have expressed an opinion on the statements. Their report is included with the financial statements.

The Board of Directors of the Company has established an Audit Committee, consisting of non-management directors, to review these statements with management and the auditors. The Audit Committee has approved these statements on behalf of the Company's Board of Directors.

Ashok Bhasin

Ash Bhasin
President and Chief Executive Officer

Mark Shilling
Chief Financial Officer

April 9, 1999

AUDITORS' REPORT

To the Shareholders of Globex Resources Ltd.

We have audited the consolidated balance sheets of Globex Resources Ltd. as at December 31, 1998 and 1997 and the statements of operations and retained earnings and changes in financial position for the year ended December 31, 1998 and the two month period ended December 31, 1997. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Generally Accepted Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the year ended December 31, 1998 and the two month period ended December 31, 1997 in accordance with Generally Accepted Accounting Principles.

KPMG LLP.

Chartered Accountants

Calgary, Canada
April 9, 1999

financial statements

CONSOLIDATED BALANCE SHEETS

	December 31 1998	December 31 1997
ASSETS		(note 1)
Current assets		
Cash	$ 44,001	$ 1,106,922
Accounts receivable	188,982	7,366
Prepaid expenses	6,879	–
Deferred charge	–	8,152
	239,862	1,122,440
Investment	100,000	–
Capital assets (note 4)	3,578,723	1,125,678
	$ 3,918,585	$ 2,248,118
LIABILITIES		
Current liabilities		
Accounts payable	$ 61,378	$ 1,140,332
Subscriptions received in advance	–	1,107,000
	61,378	2,247,332
Long term debt (note 5)	806,000	–
Provision for future site restoration	162,652	2,362
Deferred income taxes	223,000	–
SHAREHOLDERS' EQUITY		
Share capital (note 6)	2,664,916	14
Retained Earnings (Deficit)	639	(1,590)
	2,665,555	(1,576)
Subsequent events (note 12)		
	$ 3,918,585	$ 2,248,118

See accompanying notes to consolidated financial statements

APPROVED BY THE BOARD

Dinesh Dattani, Director

Roger Rector, Director

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

		For the year ended December 31, 1998		Period from November 1, 1997 to December 31, 1997
REVENUE				(note 1)
Oil and gas sales	$	**392,280**	$	74,992
Royalties		**(49,388)**		(10,022)
Alberta royalty tax credit		**15,471**		4,732
		358,363		69,702
Interest		**21,782**		2,311
		380,145		72,013
EXPENSES				
Operating		**230,904**		30,153
General and administrative		**70,317**		5,832
Interest and bank charges		**6,629**		10,641
Provision for site restoration		**10,290**		2,362
Depreciation and depletion		**59,776**		24,615
		377,916		73,603
NET EARNINGS (LOSS) FOR THE PERIOD		**2,229**		(1,590)
DEFICIT, BEGINNING OF PERIOD		**(1,590)**		–
RETAINED EARNINGS (DEFICIT), END OF PERIOD	$	**639**	$	(1,590)
Earnings per share (note 7)				

See accompanying notes to consolidated financial statements

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	For the year ended December 31, 1998	Period from November 1, 1997 to December 31, 1997
CASH PROVIDED BY (USED IN)		(note 1)
OPERATIONS		
Net earnings (loss) for the period	$ 2,229	$ (1,590)
Items not involving cash:		
Depreciation and depletion	59,776	24,615
Provision for site restoration	10,290	2,362
Cash flow from operations	72,295	25,387
Increase in non-cash working capital	(112,136)	(25,479)
	(39,841)	(92)
INVESTMENTS		
Capital assets	(776,760)	(1,150,293)
Investments	(100,000)	–
Business combination with 758118 Alberta Ltd., (net of cash) (note 3)	(19,860)	–
Acquisition of 729139 Alberta Ltd. (note 3)	(1,573,030)	–
Decrease (increase) in non-cash working capital	(1,140,332)	1,150,293
	(3,609,982)	–
FINANCING		
Issuance of share capital (net of issue costs)	2,451,148	14
Issuance of common shares on reverse takeover	436,754	
Subscriptions received in advance	(1,107,000)	1,107,000
Increase in long term debt	806,000	
	2,586,902	1,107,014
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(1,062,921)	1,106,922
CASH, BEGINNING OF PERIOD	1,106,922	–
CASH, END OF PERIOD	$ 44,001	$ 1,106,922

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 1998 and the period from November 1, 1997 to December 31, 1997

1. Basis of presentation

Globex Resources Ltd. ("Globex" or the "Corporation") was incorporated pursuant to the provisions of the Alberta Business Corporation Act on August 18, 1997. At the time, the Corporation was classified as a Junior Capital Pool Corporation as defined in the Alberta Securities Commission Rule 46-501. The Corporation was required to complete a major transaction within eighteen months of listing of its common shares on the Alberta Stock Exchange.

On April 1, 1998, the Corporation signed an Agreement in Principle pursuant to which it would acquire all of the issued and outstanding common shares of 758118 Alberta Ltd. a private oil and gas company ("Privco"). The acquisition qualified as the Corporation's major transaction and effective October 24, 1998 the Company was no longer considered a junior capital pool company. As described in Note 3, this transaction is accounted for as a reverse take-over whereby Privco is deemed to acquire the Corporation.

Accordingly, these consolidated financial statements present the results of operations and changes in financial position of Privco prior to September 24, 1998. The results as at December 31, 1998 and subsequent to September 24, 1998 represent the combined operations of the companies.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries.

2. Significant accounting policies

[a] Capital assets

The Corporation follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploring for and developing petroleum and natural gas properties and related reserves are capitalized into a single Canadian cost centre. Such costs include land acquisition costs, cost of drilling both productive and non-productive wells, geological and geophysical expenses and well equipment. Gains or losses on the sale or disposition of petroleum and natural gas properties are not ordinarily recognized in earnings except under circumstances which result in a major revision of depletion rates.

Capitalized costs are depleted using the unit-of-production method based on estimated proven reserves of petroleum and natural gas before royalties as determined by an independent engineer. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude petroleum based on the approximate relative energy content. The lesser of cost and fair market value of unproved properties is excluded from the depletion calculation.

The Corporation applies a "ceiling test" to capitalized costs to ensure that such costs do not exceed future net revenues from estimated production of proven reserves, using prices and costs in effect at the Corporation's year-end. Future net revenues are calculated after deducting general and administrative costs, financing costs, income taxes and future site restoration and abandonment costs. Where proved reserves are acquired at a price greater than the related ceiling test amount, and where the excess is not considered to represent a permanent impairment in the value of the acquired property, the Corporation will not write-down the carrying value of its petroleum and natural gas capitalized costs for a two-year period.

Substantially all of the Corporation's exploration and production activities are conducted jointly with others and accordingly, the accounts reflect only the Corporation's proportionate interest in such activities.

[b] Flow-through shares

Oil and gas exploration and development activities have been financed in part through proceeds from flow-through share issues. The flow-through share agreements provide for the related income tax deductions to be renounced to the shareholders. At the time of renunciation, share capital is reduced and deferred taxes are increased by the value of the tax deductions renounced.

[c] Site restoration

Estimated future site restoration costs are provided on a unit-of-production basis. The provision is based on current costs of complying with existing legislation and industry practice for site restoration and abandonment.

[d] Measurement uncertainty

The amounts recorded for depletion and depreciation of capital assets and the provision for future site restoration costs are based on estimates. The ceiling test calculation is based on such factors as estimates of proved reserves, production rates oil and natural gas prices and future costs. By their nature, these estimates are subject to measurement uncertainty and may impact financial statements of future periods.

[e] Investments

Investments are recorded at the lower of cost or market and dividends from these investments are included in earnings when received.

[f] Deferred taxes

The Company follows the deferral method of accounting for income taxes.

3. Acquisitions

[a] Effective September 24, 1998, Globex acquired all the issued and outstanding common shares of 758118 Alberta Ltd. (Privco). As consideration, Globex issued 4,260,000 common shares on the basis of one share for one Privco share so acquired. As a result, the former shareholders of Privco hold in excess of 50 percent of the voting shares of the combined entity.

The transaction has been accounted for as a reverse take-over and, for accounting purposes, Privco is deemed to have acquired Globex. The deemed acquisition of Globex is accounted for by the purchase method and the fair value of the net assets acquired are:

Allocated		
Working capital, excluding cash	$	6,829
Capital assets		13,031
		19,860
Cash		416,894
	$	436,754
Cost of Acquisition		
Common Shares Issued	$	436,754

[b] On December 22, 1998, 758118 Alberta Ltd. purchased all the issued and outstanding shares of 729139 Alberta Ltd., an oil and gas corporation, for total cash costs of $1,573,030.

Allocated		
Capital Assets	$	1,723,030
Provision for future site restoration		(150,000)
		1,573,030
Cost of Acquisition		
Cash Paid	$	1,573,030

4. Capital assets

	December 31			
		1998		1997
Petroleum and natural gas properties	**$**	**3,663,114**	$	1,150,293
Accumulated depletion and depreciation		**84,391**		24,615
Net book value	**$**	**3,578,723**	$	1,125,678

Overhead expenditures directly related to petroleum and natural gas assets, in the amount of $35,000 have been capitalized in 1998.

Costs of unproved properties of $412,000 (1997 - $205,000) have been excluded from costs subject to depletion and depreciation.

At December 31, 1998, the estimated future site restoration costs to be accrued over the remaining life of the reserves are $1,291,000.

5. Long term debt

As at December 31, 1998, the Company had a revolving production credit facility in the amount of $1,500,000 due on demand which bears interest at a Canadian chartered bank prime rate plus 1.5%. As collateral for the credit facility, a general assignment of book debts and a $10,000,000 demand debenture secured by a first floating charge over all assets of the Corporation has been provided. The loan is subject to an annual review.

6. Share capital

[a] Issued and outstanding

	Number of Shares		Amount
Issued for cash	30	$	14
Balance, December 31, 1997	30		14
Common shares issued for cash	4,259,970		1,916,996
Share issue costs			(16,887)
Balance September 24, 1998	4,260,000		1,900,123
Common shares of Globex at date of acquisition	3,500,000		–
Deemed share capital on acquisition of Globex	4,260,000		436,754
Flow-through shares issued	1,000,000		500,000
Shares issued pursuant to exercise of options	350,000		70,000
Share issue costs			(18,961)
Tax effect of flow-through shares			(223,000)
Balance, December 31, 1998	9,110,000	$	2,664,916

[b] Outstanding options

Under a share option plan, common shares of the Corporation are, from time to time, reserved for issuance to eligible participants. At December 31, 1998, options for 775,000 shares were outstanding with an exercise price of $0.45 and expiring November 1, 2003.

Pursuant to an Agency Agreement dated February 11, 1998, the Corporation granted to the Agent an option to purchase up to 150,000 common shares at $0.20 per common share which may be exercised for a period of eighteen months following the date of listing of common shares on the Alberta Stock Exchange. The option expires on November 11, 1999.

[c] Issue of flow-through common shares

During 1998, the Corporation issued 1,000,000 flow-through common shares for a cash consideration of $500,000. Pursuant to income tax legislation, the Corporation is required to spend the $500,000 of flow-through common share funds received in 1998 by December 31, 1999 on qualifying oil and gas expenditures.

[d] Escrow shares

As a result of listing the common shares of the Corporation on the Alberta Stock Exchange, there was a requirement by the Alberta Stock Exchange that 2,840,000 shares be held in escrow at December 31, 1998. The shares are to be released as to 1/3 each year beginning November 1, 1999.

7. Earnings per share

Earnings per share for the year ended December 31, 1998 and the period from November 1, 1997 to December 31, 1997 was nil.

The following assumptions have been used to calculate weighted average number of shares outstanding for 1998. For the period from January 1 to September 24, 1998, common shares outstanding are deemed to be the shares of Globex issued to acquire Privco. Subsequent to September 24, 1998 the common shares outstanding are those of Globex.

In 1997, earnings per share was calculated using the earnings of Privco and the shares issued by Globex to acquire Privco.

8. Income taxes

The Company's tax pools including share issue costs and non-capital losses total approximately $2,200,000 at December 31, 1998 (1997 - $1,130,000).

9. Related party transactions

On December 31, 1998, the Corporation acquired petroleum and natural gas properties from a joint venture, in which one director and one officer of the Corporation has an interest, at a negotiated price of $275,000 which was paid in cash.

During the year, the Corporation paid $106,280 for third party professional services, office space and administrative services to companies in which one director has interests.

In 1997, the Corporation acquired petroleum and natural gas properties from a joint venture, in which one director and one officer of the Corporation has an interest, at a negotiated price of $1,150,000 which was paid in cash.

10. Financial instruments

The Corporation's financial instruments that are included in the balance sheet are composed of cash, accounts receivable, current liabilities and long-term debt.

Fair values of financial assets and liabilities

The fair values of financial instruments that are included in the balance sheet approximate their carrying amount due to the short-term maturity of those instruments and the floating rate on the long-term date.

Credit risk

A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

11. Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Subsequent events

[a] Effective January 1, 1999 Globex Resources Ltd. was amalgamated with its wholly owned subsidiary companies, 758118 Alberta Ltd. and 729139 Alberta Ltd.

[b] On March 15, 1998 Globex received approval from the Alberta Securities Commission to implement a normal course issuer bid to acquire a maximum of 455,000 shares of the Corporation. The normal course issuer bid will expire March 21, 2000. The Corporation has purchased 10,000 shares to-date.

CORPORATE INFORMATION

DIRECTORS & OFFICERS

Ash Bhasin, B.A., LL.B. [1]
President & Director, has over 30 years oil and gas industry experience, including 25 years with Gulf Canada Resources Limited in senior management roles.

George De Boon, B.Sc., P.Eng. [2]
Chief Operating Officer, Director & Corporate Secretary, has over 25 years oil and gas experience in engineering, evaluation and operations in Western Canada and internationally.

Dinesh Dattani, C.A. [1,2]
Director, has over 20 years experience in progressively increasing responsibilities in the oil and gas industry. Dinesh is currently Vice-President, Finance, and Chief Financial Officer of Bow Valley Energy Ltd.

Roger Rector, Ph.D., P.Geol. [1,2]
Director, has over 30 years of experience in geology, geophysics and international management, including Vice-President, International for Gulf Canada Resources Limited.

Mark Shilling, B. Comm., CFP, C.A.
Chief Financial Officer, has over 15 years experience in financial planning services. Mark has been actively involved with a number of start-up companies and is currently a director of a Toronto Stock Exchange listed company.

[1] Members of the Reserves Committee
[2] Members of the Audit Committee

INVESTOR RELATIONS

Ash Bhasin
Tel (403) 237-5220 Fax (403) 266-1525
Email abhasin@globexresources.com

KEY CONTRACT PERSONNEL

Paul Miller, B.Sc., P.Geol.
Exploration Manager, is a geological consultant with over 20 years experience in Canada and internationally.

David Wandzura, B.Sc.,P.Eng.
Operations Manager, is a drilling and operations engineer with over 20 years experience in Western Canada and internationally.

Brenda Mayder
Land Manager, has over thirty years industry experience primarily in Western Canada.

Greg Marsden, CMA
Finance Manager, is a Certified Management Accountant with 25 years experience, including the last seventeen years with public oil and gas companies.

BANKERS

The Bank of Nova Scotia
Hongkong Bank of Canada

SOLICITORS

McCarthy Tétrault
Singh Walters Bindal

AUDITORS

KPMG LLP

ENGINEERS – OIL & GAS EVALUATION

Paddock Lindstrom & Associates Ltd.

REGISTRAR & TRANSFER AGENT

Montreal Trust

STOCK EXCHANGE LISTING

Alberta Stock Exchange: Symbol – GBX

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